

FY12 Operating Budget Forum Upcounty Regional Services Center

January 10, 2011

Prepared by
the Office of Management & Budget and
the Department of Finance

County Executive Priorities

1. Affordable Housing in an Inclusive Community
2. Children Prepared to Live and Learn
3. An Efficient and Effective Transportation Network
4. Healthy and Sustainable Neighborhoods
5. Responsive, Accountable County Government
6. Safe Streets and Secure Neighborhoods
7. Strong and Vital economy
8. Vital Living for All of Our Residents

Operating Budget Process

- MCG Departments Prepare Submissions: Sept-December
- Agencies submit budgets to County Executive/Council – December/January
- OMB Reviews Submissions and Makes Recommendations to County Executive December - March
- County Executive Transmits Budget to the County Council on March 15
- County Council Public Hearings Early April
- County Council reviews budgets April – May
- County Council Approves Budget and Taxes – by June

Two Budgets

- Operating Budget: Services
 - K-12 education
 - Community College education
 - Public safety: Police, Fire, Courts, Corrections
 - Transportation: Roads, Traffic, Bus
 - Social Services: Health, Income Maintenance, other
 - Environmental protection
 - Parks, recreation, and libraries
 - Land use planning and regulation
 - Trash collection and disposal
 - Economic development
 - Debt Service
- Capital Budget: Facilities
 - Schools, College facilities
 - Roads and bridges
 - Water and sewer facilities
 - Information technology infrastructure
 - Libraries
 - Police and fire stations
 - General government facilities

Results Based Budgeting

- Transition from Incremental Based Budgeting
- Evaluate existing programs and requests for new services, improvements and expansion in terms of:
 - Direct, measurable contribution to County Executive priority results
 - Community Wide Indicators
 - Department Performance Plans
 - Departmental Program Measures
 - Contributing/Restricting Factors and Trends
 - Evidence based strategies
 - Partners/Collaboration

Operating Budget

- County Budget is divided into two parts: Tax Supported and Non Tax Supported
- Tax supported side of the budget only, excludes grant and self-supporting funds (non-tax supported funds)
- Grants and Self Supporting funds are self sustaining and largely not subject to fluctuations in tax receipts.
 - Total Non Tax Supported Funds: \$615 M;
 - Grants: \$262.8 M. and
 - Self Supporting funds: \$352.2 M.

FY11 - Tax Supported Expenditures by Function

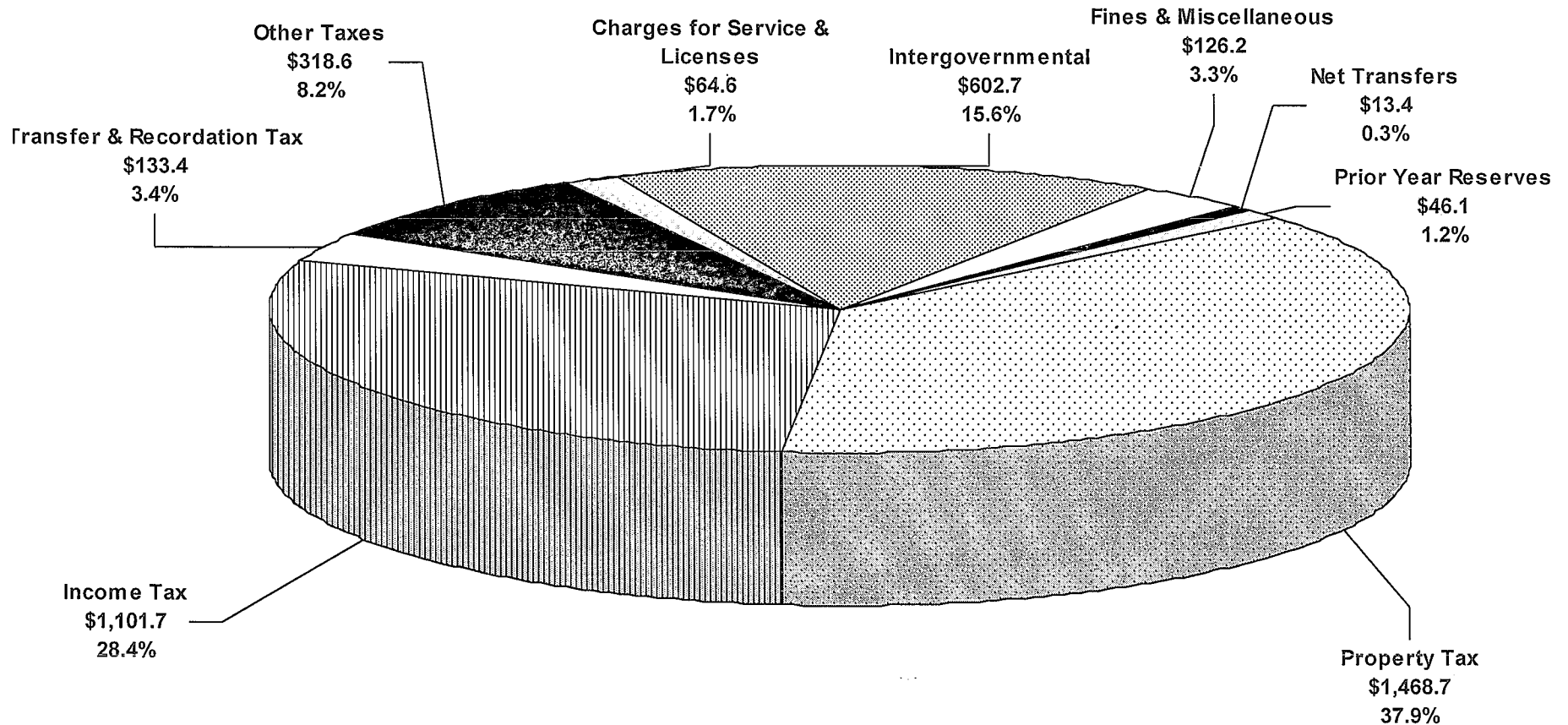
Tax Supported Expenditures Only	Appropriation	% of Total	Cum %	Workyears
MCPS	\$ 1,919,842,746	52.5%	52.5%	19,438.7
Public Safety	\$ 497,130,930	13.6%	66.1%	3,647.7
Debt Service	\$ 259,091,380	7.1%	73.2%	-
College	\$ 215,774,676	5.9%	79.1%	1,772.8
Health and Human Services	\$ 177,832,030	4.9%	84.0%	1,042.8
Transit	\$ 104,309,460	2.9%	86.8%	780.1
Transportation	\$ 35,464,960	1.0%	87.8%	252.2
Other Functions (Utilities, NDAs)	\$ 141,630,280	3.9%	91.7%	2.6
General Government	\$ 140,306,790	3.8%	95.5%	925.8
Libraries	\$ 28,851,080	0.8%	96.3%	289.3
Recreation	\$ 25,896,670	0.7%	97.0%	360.7
Community Development and Housing	\$ 10,186,840	0.3%	97.3%	61.4
Environment	\$ 1,947,210	0.1%	97.3%	11.6
MNCPPC	\$ 97,592,670	2.7%	100.0%	904.9
	\$ 3,655,857,722			29,490.6

County Executive's Fiscal Plan

- Resources
 - Prior year fund balance
 - Net transfers
 - Revenues
- Uses of Resources
 - Current revenue to support the Capital Budget
 - Debt service
 - Year-end reserves
 - Agency expenditures

FY12 TAX SUPPORTED FISCAL PLAN SUMMARY

TOTAL PROJECTED RESOURCES - \$3,875.4 (million)



FY12-17 Fiscal Plan

Selected Fiscal Assumptions: Resources

- Property tax revenues are projected at the Charter Limit
- Other tax revenues and user fees are projected at their current rates
- Latest Revenue Estimates indicate decline in anticipated revenues of approximately \$158.9 million (\$85.7 million in FY11 and \$73.2 million in FY12) compared to estimates assumed at the time the FY11 budget was approved
- Energy and Wireless Telephone Taxes approved by the County Council on May 27, 2010 are incorporated in revenue estimates. With the scheduled sunset to the Energy Tax at the end of FY12, there is a loss of almost \$111 million in revenue at the end of FY12.

FY12-17 Fiscal Plan

Selected Fiscal Assumptions: Resources

- Level (flat) funding of existing intergovernmental aid formulas, with the exception of K-12 Education Aid, which is projected by MCPS to increase by \$28 million, and a reduction of \$800,000 in State aid to the College.
- This may change dramatically with the announcement of the Governor's FY12 Operating Budget and the need to balance a projected \$1.5 billion shortfall.

<u>June 2010</u>	Approved	Estimated		Estimated		Notes
	FY11	FY12	% Chg	FY13	% Chg	
Resources	3,821.0	3,902.4	2.1%	3,921.4	0.5%	
Uses/Expenditures						
Non Operating	429.1	507.0	18.2%	569.7	12.4%	Debt, CIP, Reserves
Operating Budget	3,391.9	3,395.4	0.1%	3,351.7	-1.3%	All Agencies
Total Uses/Expenditures	3,821.0	3,902.4	2.1%	3,921.4	0.5%	Fixed Costs: Personnel, Utilities, Leases, Insurance
<u>Subsequent Events</u>						
Commitments: Pensions, etc		(81.8)				Not Including MCPS
MOE Increase		(82.1)				
Elimination of EMST Fee (net)		(12.9)				
Revenue Decline FY11-12		(146.0)				Income, Property, Xfer/Rec.
K-12 Aid increase; other		35.0				
FY11 Savings Plan		32.0				

FY12-17 Fiscal Plan

Selected Fiscal Assumptions: Expenditures

- Expenditures at same services estimate of next year's expenditures and specific major known commitments used to demonstrate the costs and challenges that exist in the budget
- Retiree Health Insurance (OPEB) phase-in included in agency operating budgets at a cost of \$83.6 million in FY12 and continuing in accordance with a eight-year phase-in schedule.
- \$0.3 million in approved supplemental appropriations
- \$15.3 million set aside in FY11 for pending and potential supplemental appropriations including snow removal.

County Executive's Fiscal Plan

- Gap is difference between total projected resources and total projected uses
- The budget is balanced when projected resources are equal to all projected uses, including the funding of reserves to the policy level
- Revised revenue estimates for FY11 now project significantly reduced FY11 ending/FY12 beginning undesignated reserves for the General Fund from the May 2010 level of \$136.8 million to \$46.1 million -- a reduction of more than \$90 million.

Actions Taken to Date

- Hiring Freeze effective January 3, 2008 and continues
- Procurement Freeze began in FY10 and sustained throughout FY11.
- Liquidation of selected outstanding contracts
- FY11 Savings Plan: County Executive identified savings of \$36.2 million. County Council approved \$32.2M
 - County Government: \$15.8M., Council Approved \$11.8M
 - Public Schools: \$19.2M., Council Approved \$19.2M
 - Montgomery College: \$ 1.0M., Council Approved \$ 1.0M
 - M-NCPPC: \$ 0.2M., Council Approved \$ 0.2M

FY12 Fiscal Outlook

- Major expenditure pressures:
 - Compensation and benefits
 - Continued phase-in of pre-funding retiree health insurance benefits
 - Operating Cost of Capital Facilities (Schools, College, other)
 - Information Technology: Staffing, maintenance & license agreements, hardware replacement
 - Costs to *sustain* investments in education, public safety staffing, health care for uninsured, other health and human services, affordable housing, and other critical programs
 - Unavoidable cost increases related to:
 - energy costs: fuel and utilities,
 - insurance,
 - health care,
 - pensions, and
 - occupational medical services:

FY12 Fiscal Outlook

- Major expenditure pressures (continued):
 - Deferred infrastructure maintenance – information technology, facilities, and roadways
 - Compliance with external mandates (e.g., HIPAA, ADA, etc.)
 - Operating impact of new facilities – libraries, schools, college, recreation centers, fire stations
 - Increasing student enrollment
 - Demand for restoration of FY11 service reductions, as well as for new and enhanced services including expanded health care for the uninsured, early childhood education, subsidies for developmental disability service providers

FY12 Fiscal Outlook

Risk and uncertainty:

- State Aid reductions: State agency implementation of directed expenditure reductions (e.g. reduction in formula aid, reimbursements, pressure for County to replace lost state funding, etc.) to close the State's projected \$1.5 billion gap
- Potential shifting of State responsibilities to local governments (cost-sharing of State teacher retirement obligations to local jurisdictions)
- Sluggish, jobless economic recovery and its impact on local tax revenues and the demand for services
- Federal wage freeze and impact on local economy
- Income tax: prolonged impact of wage freezes, stagnant job growth, and layoffs contribute to the lag in a fiscal recovery versus an economic recovery
- Cost and Price Spikes: Weather/Snow Removal; fuel and energy prices; food prices; etc...

Options to Solve the Gap:

- Compensation changes including permanent wage reductions, no general wage adjustments (COLAs) or step increases, or benefit modifications (needs collective bargaining concurrence)
- Sustain furloughs which began in FY11 for MCG, MC, and M-NCPPC, and implement to include MCPS in FY12
- No retiree health insurance (OPEB) pre-funding
- Service reductions, program eliminations, employee layoffs
- Looking for continuing cost savings because the fiscal problem is long term and structural for both the County and the State.

Community Participation

- Letters/emails to County Executive and Councilmembers
- Boards, Commissions, and Advisory Board members are appointed by the County Executive, and confirmed by the County Council.
- Executive Branch sponsored budget forums across the county, where residents and businesses provide input on their priorities.
- County Executive meets with business leaders, directors of non-profit organization, and other advocacy groups.
- County Charter requires Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive.
- Public hearings related to budgets, legislation, and regulations are advertised in local press.
- Councilmanic town meetings.
- Letters to local press
- Citizen participation groups (Taxpayer's League, etc.)